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BEFORE THE
U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON AGRICULTURE
SUBCOMMITTEE ON CONSERVATION, CREDIT, RURAL DEVELOPMENT &
RESEARCH

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HILO, HAWAII

Chairman Lucas and Members of the Subcommittee:

Thank you for this opportunity to provide comments relative to the effectiveness of federal conservation programs in meeting the needs of Hawaii's agricultural community. The Hawaii Department of Agriculture (DOA) is the state agency responsible for assisting our local agricultural industry in reaching its full development potential. We make it a priority to develop strong partnerships and maintain a collaborative spirit between state and federal agencies, farmers, ranchers, educational and research institutions and others in our communities. Successful partnerships have never been so important as now, with all agencies faced with limited resources.

This Subcommittee's visit to the islands of Hawaii is fitting in that our state represents some of the most challenging agricultural conservation needs in the country. We are a small state, with a unique island ecosystem. Our geology and environment is substantially different from that of the continental United States. Our soils are highly erodible and rains frequently come in down pours, resulting in flash flooding. This is the natural erosion process in a subtropical island environment. Yet, island ecosystems are a small in scale and impacts from man's activities can greatly accelerated this erosion process. We previously introduced feral animals to our watersheds and cleared forests for agriculture. Expanding urbanization and increased residential development of agricultural lands have each contributed varying degrees of erosion and pollutants to our island environment. The development and implementation of agricultural

conservation programs are extremely important both to individual farm and ranch operators and the public at large, as these programs will help to ensure a strong and vibrant agriculture industry, along with a healthy environment, sustainable watersheds and flood prevention. They also offer an opportunity for landowners, farmers and ranchers to reduce their cost of complying with unfounded or unfunded environmental regulations, which are intended to reduce impacts on water resources and endangered species.

We would like to touch briefly on the impacts NRCS programs have on Hawaii's agriculture industry and offer a few suggestions to meet our unique needs and expanding opportunities for work in conservation.

NRCS programs appear to have shifted from their traditional role of providing assistance to agriculture in terms of enhanced overall productivity to one, which targets environmental goals. This has been beneficial, as NRCS conservation programs in Hawaii provide an unprecedented economic incentive for agricultural operations to undertake specific land stewardship in areas affected by unfunded environmental mandates, such as the Clean Water Act and Critical Habitat Designations.

While ripe with opportunities, this new direction has possibly contributed to the disconnect you will hear from some farmers and ranchers. Those who are making use of the funding mechanisms provided by NRCS have praise for the programs. There are also those who are not employing the programs due to concerns that the long-term commitment to environmental programs will result in expanded habitat and increased presence of endangered and threatened species that may trigger other environmental regulations. Will they be able to carry out productive agricultural operations or will they be severely curtailed? How do we help the farmer and rancher balance the coexisting interests of agricultural production and environmental responsibility in a way that does

not threaten the economic viability of the agricultural business? Education is key to bringing the parties together and maximizing the acceptance and effect of NRCS' programs.

Conservation Technical Assistance (CTA)– There is tremendous need to expand efforts to deliver CTA on the ground. Over the past three decades in Hawaii, many communities have seen agriculture landownership and operations shift from a few plantations with centralized management and specialty skilled workforce to many individual small landowners. A significant number of these new landowners are not familiar with agriculture or soil conservation practices. It is critical that efforts be directed to meet these educational needs before additional soils are lost due inappropriate management techniques, which have included land clearing without a conservation plan and vertical tillage.

Environmental Quality Incentives Program (EQIP) - The linkage between agriculture production and the environment has been good through the EQIP program. We are pleased that \$5 million was appropriated by Congress for this program and its sub-programs. These additional resources will help to assure adequate resources are available for implementation of structural and management practices.

Grasslands Reserve Program (GRP) – Limited use of this program has been made in Hawaii. However, this is another program, which has strong potential to significantly enhance local agricultural production. In addition to existing rangelands, a significant number of former sugar and pineapple lands are being actively converted to pasture. There is a need to enhance these lands by planting new pasture grasses and establishment of innovative rotation schemes, which can significantly enhance production of livestock. For a number of years, there has been a strong movement to develop local and export markets for grass-fed beef and other livestock, creating further demand for premium rangelands.

Wetlands Reserve Program (WRP) - Wetlands have long been an important part of Hawaii's landscape and agricultural production. Hawaiians first cultivated taro nearly one thousand years ago, and today it remains an important crop. Wetlands are also important for wildlife habitat, water recharge and flood control. The WRP program offers landowners a fair market value return for their commitment to protecting these important areas. The alternative in the past has been to leave these wetlands unmanaged, resulting in invasive species over running native species, or their complete loss through development by dredging and filling.

Wildlife Habitat Incentive Program (WHIP) – In the past, agriculture in Hawaii has made good use of available funding in the WHIP program. It is anticipated that the demand will rise sharply as farmers and ranchers begin to address expanded federal programs designed to enhance critical wildlife habitats and the need for enhanced watershed systems. Recently, Critical Habitat Designations (CHD) were made in the state and these included a significant number of agricultural production acres. The installation of exclusion fencing for feral animal control and restoration of native species will be key to the success of the CHD, and WHIP program may be able to offset some of the cost to manage these properties and/or offset the inability to continue agricultural production.

Farmland and Ranch Protection Program (FRPP) – Forty years ago, the State of Hawaii developed an innovative model for land use planning. Today, we are on the verge to renewing our land use programs specifically to protect important agricultural lands from development pressures. A key component in the discussions has been the fact that successful agriculture is more than just making good agricultural lands available. Economic incentives are also necessary. FRPP tools, including purchase of development rights and agricultural easements incentives, will be strongly considered as part of the full development of Hawaii's new planning model in the months to come.

Challenges to maximizing the utilization of NRCS programs - NRCS

conservation grants offer new opportunities to address Hawaii's agriculture and conservation needs. However, many times Hawaii's unique island ecosystem does not lend itself to continental models and programs. New efforts need to be centered on collaborative community wide approaches to develop, test, implement and transfer the technology of innovative environmental solutions.

On the Island of Oahu, continued urbanization lures large landowners to retain their properties in anticipation of future development opportunities; hence, many agricultural leases are limited to less than five years. This severely limits the ability of farmers to participate in conservation programs, which generally requires a 15-year commitment. Flexible use of funds could be applied to grants for cover cropping and other similar conservation methods, which are low cost but effective short-term conservation measures.

Also key is the need for flexibility in the delivery of programs and sign up timing. This year Congress appropriated \$12 million for NRCS-Hawaii's budget for conservation programs. This is exciting, but the reality is that it is likely that all funds will not be appropriated on the ground, due to the requirement that the funds be committed by May 3, 2004. NRCS simply needs more advance notice of fund availability. It takes too long to move funds from Congressional authorization to Office of Management and Budget and then to NRCS at the state level. Two months is simply not enough time to encumber the funds with qualified projects.

It is essential that we find a new way to address this challenge. One possible solution is to utilize "block funding". In this case, the State NRCS office is allowed to do final allocation of a pot of funds to conservation programs. The DOA could play a role in ensuring that the allocations are to address priority issues. This would result in the funds getting down to the local level to address local priorities on a timely basis. Hawaii's unique statewide land use regulatory system that defines allowable uses in

agricultural and conservation lands and employs a two-stage state and county land use change approval authority provides an administrative structure to ensure consistent and fair identification of priorities; thus, allaying concerns of arbitrary decision-making.

NRCS conservation program structure and rules emphasize equality and equity of program administration that, in turn, requires close scrutiny of applicants in top priority problem areas. To maximize the effectiveness of all programs during any fiscal year, NRCS should be allowed to move funds from one conservation program to another.

Adjusted Gross Income (AGI) – It is our understanding that a problem exists for potential program participants with the AGI limitation on non-farm generated income. Hawaii does have a fairly unique situation in which the extremely high cost of land (up to \$40,000 per acre for production lands) results in land being held by a limited number of businesses. In order to survive, these businesses have diversified their operational portfolios beyond agriculture. Fundamentally, agriculture is still a key component in their overall operations, and they have a strong commitment to agriculture's future and preserving our natural environment.

Discussions are encouraged to determine alternative triggers to the AGI. These might include environmental triggers or key target areas where the implementation of conservation programs are critical to addressing environmental degradation. The establishment of state and local agency committees might oversee the development and implementation plans to verify that public funds are being appropriately applied for public purposes. Again, the DOA is willing to participate.

Partnerships & closing remarks – The challenges faced by agriculture in Hawaii are unique and many, and yet, we stand ready and committed to apply our best

efforts to address them. We want to maximize opportunities for delivery and implementation of conservation programs for Hawaii's agricultural enterprises, and we look forward to working with our federal partners to carry this out.

In closing, we would like to commend NRCS staff in Hawaii for their service to the industry. They have proven to be efficient, knowledgeable and accessible. We also thank Representative Ed Case for arranging this unique opportunity to present our testimony to you in person.

We are extremely appreciative of the level of funding Congress has provided in the 2002 Farm Bill. Thank you.